



*Certified Public Accountants*

## CITY OF HIAWATHA, KANSAS

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FINANCIAL STATEMENT – REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2020

CITY OF HIAWATHA, KANSAS  
FINANCIAL STATEMENT  
REGULATORY BASIS  
Year Ended December 31, 2020

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CITY OF HIAWATHA, KANSAS  
FINANCIAL STATEMENT  
REGULATORY BASIS  
Year Ended December 31, 2020

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## **INDEPENDENT AUDITORS' REPORT**

Mayor and City Commission  
City of Hiawatha, Kansas

### **Report on the Financial Statement**

We have audited the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Hiawatha, Kansas (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* (KMAAG) as described in Note 2; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2020, or changes in financial position and cash flows thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2020, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the KMAAG described in Note 2.

### **Other Matters**

#### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash (the basic financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the KMAAG.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BT&Co, P.A.*

March 23, 2021  
Topeka, Kansas

**CITY OF HIAWATHA, KANSAS**  
**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,**  
**AND UNENCUMBERED CASH**  
**REGULATORY BASIS**  
**Year Ended December 31, 2020**

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>General fund</b>	<b>\$ 859,809</b>	<b>\$ -</b>	<b>\$ 1,661,089</b>	<b>\$ 1,631,242</b>	<b>\$ 889,656</b>	<b>\$ 7,479</b>	<b>\$ 897,135</b>
Special purpose funds:							
Library	36	-	148,624	148,038	622	-	622
Industrial	99,394	-	192,453	175,650	116,197	-	116,197
Recreation	64,985	-	148,366	33,167	180,184	(224)	179,960
Employee benefit	255,154	-	556,954	608,402	203,706	(261)	203,445
Special highway	380,802	-	575,128	543,686	412,244	18,922	431,166
Parts and recreation	16,852	-	5,708	5,708	16,852	-	16,852
Liability	500	-	-	-	500	-	500
History Center	28,015	-	32,372	24,799	35,588	96	35,684
Special events	8,072	-	8,500	6,500	10,072	-	10,072
Special streets	342,141	-	384,891	189,003	538,029	-	538,029
Hotel economic development	(3,742)	-	85,170	97,088	(15,660)	-	(15,660)
MOVE inspection	9,720	-	6,686	7,778	8,628	(2,382)	6,246
Safety dividends	36,852	-	-	-	36,852	-	36,852
Bond and interest fund	293,739	-	896,349	957,099	232,989	-	232,989
Capital project funds:							
Post lantern street light project	255,860	-	75,140	226,709	104,291	-	104,291
Other capital projects	3,156,142	-	180,929	1,907,842	1,429,229	21	1,429,250
Business funds:							
Water	694,440	-	893,253	813,446	774,247	2,266	776,513
Sewer	573,824	-	854,623	1,053,727	374,720	9,504	384,224
Storm water utility	104,874	-	79,924	77,460	107,338	-	107,338
Pool	158,736	-	50,883	43,750	165,869	-	165,869
Airport	26,445	-	48,187	82,847	(8,215)	-	(8,215)
Trust funds	17,345	-	1,034	-	18,379	-	18,379
Total primary government	7,379,995	-	6,886,263	8,633,941	5,632,317	35,421	5,667,738
Related municipal entity:							
Morrill Public Library	1,164,269	-	313,775	1,039,122	438,922	5,912	444,834
Total reporting entity (excluding agency funds)	<u>\$ 8,544,264</u>	<u>\$ -</u>	<u>\$ 7,200,038</u>	<u>\$ 9,673,063</u>	<u>\$ 6,071,239</u>	<u>\$ 41,333</u>	<u>\$ 6,112,572</u>

((Continued))

CITY OF HIAWATHA, KANSAS  
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

Composition of cash:	
GN Bank:	
General fund	\$ 3,452,807
Economic development grant fund	1,123
Sewer project fund	273,463
Post lantern fund	90,160
Insurance proceeds fund	18,966
Todd Widman memorial fund	1,686
Aquatic park capital improvement fund	147,704
Reserve account	185,000
Municipal court cash bond account	4,426
Petty cash	420
Total GN Bank	4,175,755
Morrill & James Bank:	
Citywide street sales tax	2,689
Petty cash	250
Total Morrill & James Bank	2,939
Citizens State Bank & Trust:	
Library checking	11,841
Library savings	107,903
Library investments	7,717
Total Citizens State Bank & Trust	127,461
Bank of Blue Valley:	
City-wide sales tax street project investments	1,515,407
Edward Jones:	
Library investments	317,193
Cash on hand:	
Primary government	1,133
Library	180
Total cash on hand	1,313
Total cash	6,140,068
Less agency funds per schedule 5	(27,496)
Total reporting entity (excluding agency funds)	\$ 6,112,572

See accompanying notes to financial statement.



CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

1 - Municipal Financial Reporting Entity

The City of Hiawatha, Kansas (the City) is a municipal corporation governed by a five-member commission. This financial statement includes only the primary government of the City and the Morrill Public Library (the Library) related municipal entity. It excludes one of the related municipal entities for which the City is considered financially accountable:

The Housing Authority of the City of Hiawatha

A separate related municipal entity financial statement may be obtained directly from the Housing Authority.

2 - Summary of Significant Accounting Policies

(a) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

(b) Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2020:

*General Fund* – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Special Purpose Funds* – used to account for the proceeds of specific tax levies and other specific regulatory receipts sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

*Bond and Interest Fund* – used to account for the accumulation of resources, including tax levies, transfers from other funds, and payment of general long-term debt.

*Capital Project Funds* – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

*Business Funds* – funds financed in whole or in part by fees charged to users of the goods or services.

*Trust Funds* – funds used to report assets held in trust for the benefit of the City.

*Agency Funds* – funds used to report assets held by the City in a purely custodial capacity.

(c) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), the bond and interest fund, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City had budget amendments for the sewer fund and airport fund for the year ended December 31, 2020.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

A legal operating budget is not required for capital project funds other than the Post Lantern Street Light Project fund, trust funds, agency funds, and the following special purpose funds:

Liability, History Center, Hotel Economic Development, MVE Inspection, and Safety Dividends

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by Federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25<sup>th</sup>. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the County Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property on November 1<sup>st</sup>. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20<sup>th</sup> and May 10<sup>th</sup>. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1<sup>st</sup> and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20<sup>th</sup> of the ensuing year. Additional amounts are distributed on four subsequent dates through the calendar year.

(d) Annual Personal and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted annual personal and sick leave in varying amounts.

Full-time employees accrue vacation each year at a rate of eighty hours beginning after six months of employment. After five full years of consecutive service, employees accrue vacation each year at a rate of eighty hours plus eight additional hours for each consecutive year of service in excess of five years, to a maximum of two-hundred hours per year.

Upon termination or resignation, employees are compensated for unused vacation time, up to a maximum of the yearly amount of vacation time earned. As of December 31, 2020, the liability for earned vacation pay is approximately \$ 73,000.

(e) Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

(f) Use of Estimates

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

3 - Long-Term Debt

*General Obligation Bonds.* The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business activities. These bonds are reported in the business funds if they are expected to be repaid from business fund regulatory receipts. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Changes in long-term debt for the City for the year ended December 31, 2020 were as follows:

Issue	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issued	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
<b>General obligation bonds*:</b>									
Series 2011	2.75 - 3.75%	08/15/11	10/01/26	\$ 400,000	\$ 210,000	\$ -	\$ 25,000	\$ 185,000	\$ 7,625
Series 2012	2.00 - 2.75%	03/15/12	08/01/26	1,265,000	700,000	-	105,000	595,000	16,338
Series 2012-B	2.25 - 4.00%	10/01/12	10/01/43	6,530,000	4,720,000	-	385,000	4,335,000	155,840
Series 2014-A	2.75%	01/28/14	01/28/54	998,000	924,024	-	32,517	891,507	50,381
Series 2014-B	3.50%	01/28/14	01/28/24	258,400	140,285	-	53,236	87,049	8,904
Series 2016-A	1.75%	06/15/16	06/15/56	1,373,000	1,299,766	-	25,271	1,274,495	22,808
Series 2016-B	1.75%	06/15/16	06/15/56	93,000	88,040	-	1,712	86,328	1,545
Series 2019	1.75%	02/14/19	02/14/59	1,885,000	1,885,000	-	32,935	1,852,065	32,897
Total general obligation bonds					9,967,115	-	660,671	9,306,444	296,338
<b>Temporary note:</b>									
Series 2018	3.15%	12/07/18	12/01/21	6,000,000	6,000,000	-	-	6,000,000	189,000
Total long-term debt					\$ 15,967,115	\$ -	\$ 660,671	\$ 15,306,444	\$ 485,338

\* Portions of the above general obligation bonds were used to finance projects related to the Water, Sewer, and Post Lantern Street Light Project Funds or were used to refund debt previously incurred by those funds. Transfers are made each year from these funds to the Debt Service fund to pay for the portions of the debt related to their respective projects. See more details of these transfers at Note 9.

See Note 8 for capital lease debt.

**CITY OF HIAWATHA, KANSAS**  
**NOTES TO FINANCIAL STATEMENT**  
(Continued)

Annual debt service requirements to maturity for the general obligation bonds and temporary note are as follows:

	Year												Total
	2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	2051-2055	2056-2059	
<b>Principal:</b>													
General obligation bonds:													
Series 2011	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,000
Series 2012	110,000	110,000	110,000	100,000	80,000	85,000	-	-	-	-	-	-	595,000
Series 2012-B	255,000	260,000	270,000	280,000	290,000	565,000	650,000	990,000	775,000	-	-	-	4,335,000
Series 2014-A	-	16,932	17,398	17,876	18,368	99,699	114,182	130,769	149,766	171,524	154,993	-	891,507
Series 2014-B	-	28,034	29,005	30,020	-	-	-	-	-	-	-	-	87,049
Series 2016-A	25,713	26,163	26,621	27,087	27,561	145,209	158,367	172,719	188,370	205,439	224,055	47,191	1,274,495
Series 2016-B	1,742	1,772	1,803	1,835	1,867	9,836	10,727	11,699	12,759	13,915	15,176	3,197	86,328
Series 2019	33,511	34,098	34,694	35,302	35,919	189,248	206,397	225,101	245,499	267,745	292,007	252,544	1,852,065
Total general obligation bonds	455,966	506,989	519,521	522,120	483,715	1,128,992	1,139,673	1,530,288	1,371,394	658,623	686,231	302,932	9,306,444
Temporary note:													
Series 2018	6,000,000	-	-	-	-	-	-	-	-	-	-	-	6,000,000
Total principal	\$ 6,455,966	\$ 506,989	\$ 519,521	\$ 522,120	\$ 483,715	\$ 1,128,992	\$ 1,139,673	\$ 1,530,288	\$ 1,371,394	\$ 658,623	\$ 686,231	\$ 302,932	\$ 15,306,444
<b>Interest:</b>													
General obligation bonds:													
Series 2011	\$ 6,938	\$ 5,813	\$ 4,688	\$ 3,563	\$ 2,564	\$ 1,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,879
Series 2012	14,119	11,644	9,100	6,413	3,988	1,788	-	-	-	-	-	-	47,052
Series 2012-B	144,290	136,640	130,140	123,390	116,390	522,325	430,225	284,400	62,800	-	-	-	1,950,600
Series 2014-A	-	24,516	24,051	23,572	23,081	107,544	93,060	76,472	57,475	35,718	10,800	-	476,289
Series 2014-B	-	3,047	2,066	1,051	-	-	-	-	-	-	-	-	6,164
Series 2016-A	22,304	21,854	21,396	20,987	20,456	94,926	81,762	67,439	51,740	34,663	16,039	828	454,394
Series 2016-B	1,511	1,480	1,449	1,422	1,386	6,430	5,538	4,568	3,505	2,348	1,086	56	30,779
Series 2019	32,500	31,825	31,228	30,537	30,085	140,361	123,212	104,456	84,163	61,865	37,602	11,142	718,976
Total general obligation bonds	221,662	256,819	224,118	210,935	197,950	874,687	733,797	537,335	259,683	134,594	65,527	12,026	3,709,133
Temporary note:													
Series 2018	189,000	-	-	-	-	-	-	-	-	-	-	-	189,000
Total interest	\$ 410,662	\$ 256,819	\$ 224,118	\$ 210,935	\$ 197,950	\$ 874,687	\$ 733,797	\$ 537,335	\$ 259,683	\$ 134,594	\$ 65,527	\$ 12,026	\$ 3,898,133
Total principal and interest	\$ 6,866,628	\$ 743,808	\$ 743,639	\$ 733,055	\$ 681,665	\$ 2,003,679	\$ 1,873,470	\$ 2,067,623	\$ 1,631,077	\$ 793,217	\$ 751,758	\$ 314,958	\$ 19,204,577

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Special Assessments.* As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the Bond and Interest Fund. The special assessment debt is a contingent liability of the City to the extent of property owner defaults which have historically been immaterial.

*Conduit Debt Obligations.* From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statement. As of December 31, 2020, there were two series of Industrial Revenue Bonds outstanding, with an aggregate original principal amount payable of \$ 7,545,000 and an outstanding balance of \$ 6,300,000.

4 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2020, the City had unsecured investments in the form of cash and cash equivalents held in an investment account.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

K.S.A. 12-1225(h) authorizes library boards to invest or reinvest gifts and donations and any dividends, interest, rent, or income derived from the gifts in the manner the board deems will best serve the interest of the library. The Morrill Public Library had the following unsecured investments from gifts and donations at December 31, 2020:

Investment Type	Fair Value
Citizens State Bank & Trust:	
Cash and cash equivalents	\$ 6,717
Stocks and mutual funds	100
Other investments	900
Edward Jones:	
Cash and cash equivalents	5,231
Stocks and mutual funds	311,962
Total	<u>\$ 324,910</u>

*Concentration of Credit Risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial Credit Risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require the deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

At December 31, 2020, the City's and Library's carrying amounts of deposits were \$ 5,694,101 and \$ 119,744, respectively, and the bank balances were \$ 5,779,284 and \$ 134,475, respectively. The City's and Library's bank balances were held by three banks resulting in a concentration of credit risk. Of the City's bank balance, \$ 500,000 was covered by federal depository insurance and the remainder was collateralized with securities held by the pledging financial institutions' agents in the City's name. The Library's bank balance was fully covered by federal depository insurance.

*Custodial Credit Risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

5 - Defined Benefit Pension Plan

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statement and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.



CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the City were \$ 127,497 for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, the City's proportionate share of the collective net pension liability reported by KPERS was \$ 1,161,236. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.

7 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the basic financial statement as of December 31, 2020.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

8 - Capital Leases of Equipment

The City has entered into lease agreements as lessee for financing the acquisition of equipment.

During the year ended December 31, 2020, the following changes occurred in capital leases:

	January 1, 2020	Additions	Retirements	December 31, 2020	Interest Paid
Capital lease obligations:					
Governmental funds	\$ 61,750	\$ 245,080	\$ 62,569	\$ 244,261	\$ 2,626

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending December 31,	
2021	\$ 84,853
2022	52,587
2023	38,546
2024	18,888
2025	18,888
2026-2027	54,406
Total principal and interest	268,168
Less: interest and fees	23,907
Total principal	\$ 244,261

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

9 - Interfund Transfers

Transfers by fund for 2020 are as follows:

From	To	Regulatory Authority	Amount
General	Special Events	KSA 12-1118	\$ 6,000
General	Bond and Interest	Debt Service	8,164
General	Bond and Interest	Debt Service	22,906
General	Other Capital Projects	KSA 12-1118	42,520
Industrial	Bond and Interest	Debt Service	156,700
Recreation	Other Capital Projects	KSA 12-1118	393
Parks and Recreation	Other Capital Projects	KSA 12-1118	2,195
Post Lantern Street Lights	Bond and Interest	Debt Service	141,280
Water	Employee Benefit	KSA 12-825d	110,112
Water	Bond and Interest	KSA 12-825d	119,976
Water	Other Capital Projects	KSA 12-825d	70,562
Water	Pool	KSA 12-825d	50,000
Sewer	Employee Benefit	KSA 12-825d	68,246
Sewer	Bond and Interest	KSA 12-825d	343,830
Storm Water Utility	Other Capital Projects	KSA 12-825d	16,386
Pool	Employee Benefit	KSA 12-825d	6,050
Pool	Other Capital Projects	KSA 12-825d	17,000

10 - Other Long-Term Obligations from Operations

*Other Post-Employment Benefits.* As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

*Death and Disability Other Post-Employment Benefits.* As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2020.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

11 - Capital Project

During 2019, the City started construction work towards improving the City streets, alleys and parking, and other transportation related needs. The original authorization for this Citywide Sales Tax Street Improvements contract was issued on August 20, 2018 in the amount of \$ 5,564,188. There have been no change orders to date, and the total expenditures incurred for the project as of December 31, 2020 were \$ 4,500,714.

12 - Statutory Compliance

The Hotel Economic Development Fund had a deficit cash balance of \$ 15,660 at December 31, 2020 that will be recovered from future tax revenues.

The Capital Reserve Fund had a deficit cash balance of \$ 200,852 at December 31, 2020 that will be recovered from future general revenues.

The Brick Streets KDOT Grant Fund had a deficit cash balance of \$ 204 at December 31, 2020 that will be recovered from future general revenues.

The Airport Fund had a deficit cash balance of \$ 8,215 at December 31, 2020 that will be recovered from future general revenues.

The City expended monies in excess of the approved budget for the Industrial Fund and the Special Highway Fund in the amounts of \$ 650 and \$ 96,678, respectively, as a result of spending monies that had been received in a prior year and in excess of budgeted revenues in the current year.

13 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the City. Accordingly, while management cannot quantify the financial and other impacts to the City as of December 31, 2020, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

CITY OF HIAWATHA, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

14 - Subsequent Events

The City has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.

## SUPPLEMENTARY INFORMATION

CITY OF HIAWATHA, KANSAS  
SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
Year Ended December 31, 2020

	Certified Budget	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
<u>FUNDS</u>				
Governmental type funds:				
General fund	\$ 2,417,894	\$ 2,417,894	\$ 1,631,242	\$ (786,652)
Special purpose funds:				
Library	152,400	152,400	148,038	(4,362)
Industrial	175,000	175,000	175,650	650
Recreation	111,822	111,822	33,167	(78,655)
Employee benefit	838,215	838,215	608,402	(229,813)
Special highway	447,008	447,008	543,686	96,678
Parks and recreation	8,000	8,000	5,708	(2,292)
Special events	6,500	6,500	6,500	-
Special streets	325,000	325,000	189,003	(135,997)
Bond and interest fund	1,187,926	1,187,926	957,099	(230,827)
Capital projects fund:				
Post lantern street light project	324,260	324,260	226,709	(97,551)
Business funds:				
Water	950,984	950,984	813,446	(137,538)
Sewer	1,099,433	1,099,433	1,053,727	(45,706)
Storm water utility	80,000	80,000	77,460	(2,540)
Pool	129,780	129,780	43,750	(86,030)
Airport	84,620	84,620	82,847	(1,773)
Totals	\$ 8,338,842	\$ 8,338,842	\$ 6,596,434	

CITY OF HIAWATHA, KANSAS  
GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 1,300,858	\$ 1,313,634	\$ 12,776
Licenses and permits	14,200	23,043	8,843
Charges for services	30,582	15,093	(15,489)
Fines and fees	270,000	222,456	(47,544)
Use of money and property	46,360	33,180	(13,180)
Reimbursed expenses	8,000	21,280	13,280
Miscellaneous	-	32,403	32,403
Total receipts	<u>\$ 1,670,000</u>	<u>1,661,089</u>	<u>\$ (8,911)</u>
Expenditures, encumbrances and transfers:			
General government	\$ 1,089,925	498,468	\$ (591,457)
Public safety	750,217	653,951	(96,266)
Highways and streets	95,752	80,647	(15,105)
Culture and recreation	109,529	102,085	(7,444)
Capital outlay	160,500	126,394	(34,106)
Ambulance	34,578	34,578	-
Miscellaneous	65,323	55,529	(9,794)
Transfers out	112,070	79,590	(32,480)
Total expenditures, encumbrances and transfers	<u>\$ 2,417,894</u>	<u>1,631,242</u>	<u>\$ (786,652)</u>
Receipts over expenditures, encumbrances and transfers		29,847	
Unencumbered cash, beginning		<u>859,809</u>	
Unencumbered cash, ending		<u>\$ 889,656</u>	



CITY OF HIAWATHA, KANSAS  
LIBRARY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	Variance - Over (Under)
Receipts:			
Taxes	\$ 149,415	\$ 143,188	\$ (6,227)
Miscellaneous	-	5,436	5,436
	<u>\$ 149,415</u>	148,624	<u>\$ (791)</u>
Total receipts			
Expenditures:			
Appropriation - related municipal entity	<u>\$ 152,400</u>	<u>148,038</u>	<u>\$ (4,362)</u>
Receipts over expenditures		586	
Unencumbered cash, beginning		<u>36</u>	
Unencumbered cash, ending		<u>\$ 622</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
INDUSTRIAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 175,000	\$ 192,452	\$ 17,452
Use of money and property	-	1	1
Total receipts	<u>\$ 175,000</u>	<u>192,453</u>	<u>\$ 17,453</u>
Expenditures and transfers:			
Commodities	\$ 3,000	-	\$ (3,000)
Contractual	15,300	18,950	3,650
Transfers out	156,700	156,700	-
Total expenditures and transfers	<u>\$ 175,000</u>	<u>175,650</u>	<u>\$ 650</u>
Receipts over expenditures and transfers		16,803	
Unencumbered cash, beginning		<u>99,394</u>	
Unencumbered cash, ending		<u>\$ 116,197</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
RECREATION FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 22,039	\$ 140,537	\$ 118,498
Charges for services	36,250	7,477	(28,773)
Miscellaneous	-	238	238
Reimbursements	-	114	114
Total receipts	<u>\$ 58,289</u>	<u>148,366</u>	<u>\$ 90,077</u>
Expenditures, encumbrances and transfers:			
Personal services	\$ 20,746	10,673	\$ (10,073)
Contractual	61,746	5,857	(55,889)
Commodities	25,330	12,597	(12,733)
Capital outlay	4,000	3,647	(353)
Transfers out	-	393	393
Total expenditures, encumbrances and transfers	<u>\$ 111,822</u>	<u>33,167</u>	<u>\$ (78,655)</u>
Receipts over expenditures, encumbrances and transfers		115,199	
Unencumbered cash, beginning		<u>64,985</u>	
Unencumbered cash, ending		<u>\$ 180,184</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
EMPLOYEE BENEFIT FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	\$ 368,721	\$ 367,683	\$ (1,038)
Miscellaneous	-	2,785	2,785
Reimbursed expenses	-	2,078	2,078
Transfers in	184,408	184,408	-
Total receipts and transfers	<u>\$ 553,129</u>	<u>556,954</u>	<u>\$ 3,825</u>
Expenditures and encumbrances:			
Social security	\$ 104,000	107,449	\$ 3,449
Retirement	122,270	127,497	5,227
Unemployment	3,000	923	(2,077)
Worker's compensation insurance	23,000	24,054	1,054
Health insurance	364,473	348,479	(15,994)
Contractual	221,472	-	(221,472)
Total expenditures and encumbrances	<u>\$ 838,215</u>	<u>608,402</u>	<u>\$ (229,813)</u>
Receipts and transfers under expenditures and encumbrances		(51,448)	
Unencumbered cash, beginning		<u>255,154</u>	
Unencumbered cash, ending		<u>\$ 203,706</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
SPECIAL HIGHWAY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS

(Continued)

Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 350,000	\$ 384,891	\$ 34,891
Intergovernmental	85,830	81,336	(4,494)
Reimbursed expenses	-	108,901	108,901
Total receipts	<u>\$ 435,830</u>	<u>575,128</u>	<u>\$ 139,298</u>
Expenditures and encumbrances:			
Personal services	\$ 149,072	142,270	\$ (6,802)
Contractual	41,299	33,098	(8,201)
Commodities	51,070	50,834	(236)
Capital outlay	205,567	317,484	111,917
Total expenditures and encumbrances	<u>\$ 447,008</u>	<u>543,686</u>	<u>\$ 96,678</u>
Receipts over expenditures and encumbrances		31,442	
Unencumbered cash, beginning		<u>380,802</u>	
Unencumbered cash, ending		<u>\$ 412,244</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
PARKS AND RECREATION FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 7,630	\$ 5,708	\$ (1,922)
Expenditures and transfers:			
Capital outlay	\$ 8,000	3,513	\$ (4,487)
Transfers out	-	2,195	2,195
Total expenditures and transfers	\$ 8,000	5,708	\$ (2,292)
Receipts over expenditures and transfers		-	
Unencumbered cash, beginning		16,852	
Unencumbered cash, ending		\$ 16,852	

(Continued)

CITY OF HIAWATHA, KANSAS  
SPECIAL EVENTS FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Donations	\$ 2,500	\$ 2,500	\$ -
Transfers in	6,000	6,000	-
Total receipts and transfers	<u>\$ 8,500</u>	<u>8,500</u>	<u>\$ -</u>
Expenditures:			
Events	<u>\$ 6,500</u>	<u>6,500</u>	<u>\$ -</u>
Receipts and transfers over expenditures		2,000	
Unencumbered cash, beginning		<u>8,072</u>	
Unencumbered cash, ending		<u>\$ 10,072</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
SPECIAL STREETS FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	\$ 350,000	\$ 384,891	\$ 34,891
Expenditures:			
Personal services	\$ -	3	\$ 3
Capital outlay	325,000	-	(325,000)
Interest and other charges	-	189,000	189,000
Total expenditures	<u>\$ 325,000</u>	<u>189,003</u>	<u>\$ (135,997)</u>
Receipts over expenditures		195,888	
Unencumbered cash, beginning		<u>342,141</u>	
Unencumbered cash, ending		<u>\$ 538,029</u>	

(Continued)



CITY OF HIAWATHA, KANSAS  
 BOND AND INTEREST FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
 REGULATORY BASIS  
 (Continued)  
 Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	\$ 100,957	\$ 103,431	\$ 2,474
Reimbursed expenses	-	62	62
Transfers in	792,686	792,856	170
Total receipts and transfers	<u>\$ 893,643</u>	<u>896,349</u>	<u>\$ 2,706</u>
Expenditures:			
Principal	\$ 617,116	660,671	\$ 43,555
Interest and other charges	267,374	296,428	29,054
Reserve	303,436	-	(303,436)
Total expenditures	<u>\$ 1,187,926</u>	<u>957,099</u>	<u>\$ (230,827)</u>
Receipts and transfers under expenditures		(60,750)	
Unencumbered cash, beginning		<u>293,739</u>	
Unencumbered cash, ending		<u>\$ 232,989</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
 POST LANTERN STREET LIGHT PROJECT FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
 REGULATORY BASIS  
 (Continued)  
 Year Ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Receipts:			
Taxes	\$ 72,917	\$ 74,914	\$ 1,997
Interest income	600	226	(374)
	<u>\$ 73,517</u>	<u>75,140</u>	<u>\$ 1,623</u>
Total receipts			
Expenditures:			
Capital outlay	\$ 183,150	85,429	\$ (97,721)
Transfers out	141,110	141,280	170
	<u>\$ 324,260</u>	<u>226,709</u>	<u>\$ (97,551)</u>
Total expenditures			
Receipts under expenditures and transfers		(151,569)	
Unencumbered cash, beginning		<u>255,860</u>	
Unencumbered cash, ending		<u>\$ 104,291</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
WATER FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS

(Continued)

Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	\$ 895,740	\$ 890,707	\$ (5,033)
Reimbursed expenses	-	2,546	2,546
Total receipts	<u>\$ 895,740</u>	<u>893,253</u>	<u>\$ (2,487)</u>
Expenditures, encumbrances and transfers:			
Personal services	\$ 247,107	262,826	\$ 15,719
Contractual	239,280	136,047	(103,233)
Commodities	97,200	63,047	(34,153)
Capital outlay	87,309	876	(86,433)
Transfers out	280,088	350,650	70,562
Total expenditures, encumbrances and transfers	<u>\$ 950,984</u>	<u>813,446</u>	<u>\$ (137,538)</u>
Receipts over expenditures, encumbrances and transfers		79,807	
Unencumbered cash, beginning		<u>694,440</u>	
Unencumbered cash, ending		<u>\$ 774,247</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
SEWER FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance - Over (Under)
Receipts:				
Charges for services	\$ 855,000	\$ 855,000	\$ 851,509	\$ (3,491)
Reimbursed expenses	-	-	1,615	1,615
Use of money and property	5,000	5,000	1,249	(3,751)
Miscellaneous	-	-	250	250
Total receipts	<u>\$ 860,000</u>	<u>\$ 860,000</u>	<u>854,623</u>	<u>\$ (5,377)</u>
Expenditures, encumbrances and transfers:				
Personal services	\$ 167,391	\$ 167,391	171,069	\$ 3,678
Contractual	218,936	393,936	436,368	42,432
Commodities	22,030	22,030	19,756	(2,274)
Capital outlay	104,000	104,000	14,458	(89,542)
Transfers out	412,076	412,076	412,076	-
Total expenditures, encumbrances and transfers	<u>\$ 924,433</u>	<u>\$ 1,099,433</u>	<u>1,053,727</u>	<u>\$ (45,706)</u>
Receipts under expenditures, encumbrances and transfers			(199,104)	
Unencumbered cash, beginning			<u>573,824</u>	
Unencumbered cash, ending			<u>\$ 374,720</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
 STORM WATER UTILITY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
 REGULATORY BASIS  
 (Continued)  
 Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	\$ 80,000	\$ 79,924	\$ (76)
Expenditures and transfers:			
Contractual	\$ 1,300	1,566	\$ 266
Commodities	22,500	19,246	(3,254)
Personal Services	10,151	10,599	448
Capital outlay	46,049	29,663	(16,386)
Transfers out	-	16,386	16,386
Total expenditures and transfers	\$ 80,000	77,460	\$ (2,540)
Receipts over expenditures and transfers		2,464	
Unencumbered cash, beginning		104,874	
Unencumbered cash, ending		\$ 107,338	

(Continued)

CITY OF HIAWATHA, KANSAS  
POOL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Charges for services	\$ 43,500	\$ 430	\$ (43,070)
Use of money and property	1,500	453	(1,047)
Transfers in	50,000	50,000	-
	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total receipts and transfers	<u>\$ 95,000</u>	<u>50,883</u>	<u>\$ (44,117)</u>
Expenditures and transfers:			
Personal services	\$ 62,711	11,125	\$ (51,586)
Contractual	29,239	6,192	(23,047)
Commodities	14,780	3,383	(11,397)
Capital outlay	17,000	-	(17,000)
Transfers out	6,050	23,050	17,000
	<u>6,050</u>	<u>23,050</u>	<u>17,000</u>
Total expenditures and transfers	<u>\$ 129,780</u>	<u>43,750</u>	<u>\$ (86,030)</u>
Receipts and transfers over expenditures and transfers		7,133	
Unencumbered cash, beginning		<u>158,736</u>	
Unencumbered cash, ending		<u>\$ 165,869</u>	

(Continued)

CITY OF HIAWATHA, KANSAS  
AIRPORT FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance - Over (Under)
Receipts:				
Charges for services	\$ 4,200	\$ 4,200	\$ 5,400	\$ 1,200
Reimbursed expenses	46,800	22,087	22,088	1
Land rent	19,000	20,699	20,699	-
Total receipts	<u>\$ 70,000</u>	<u>\$ 46,986</u>	<u>48,187</u>	<u>\$ 1,201</u>
Expenditures:				
Contractual	\$ 56,150	\$ 35,000	33,232	\$ (1,768)
Capital outlay	4,400	49,620	49,615	(5)
Total expenditures	<u>\$ 60,550</u>	<u>\$ 84,620</u>	<u>82,847</u>	<u>\$ (1,773)</u>
Receipts under expenditures			(34,660)	
Unencumbered cash, beginning			<u>26,445</u>	
Unencumbered cash, ending			<u>\$ (8,215)</u>	

CITY OF HIAWATHA, KANSAS  
LIABILITY FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
Year Ended December 31, 2020

Unencumbered cash, beginning	\$ 500
Unencumbered cash, ending	\$ 500

\* This fund is not required to be budgeted.



CITY OF HIAWATHA, KANSAS  
HISTORY CENTER FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

Receipts:	
Miscellaneous	\$ 32,372
Expenditures and encumbrances:	
General government	<u>24,799</u>
Receipts over expenditures and encumbrances	7,573
Unencumbered cash, beginning	<u>28,015</u>
Unencumbered cash, ending	<u><u>\$ 35,588</u></u>

\* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS  
HOTEL ECONOMIC DEVELOPMENT FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

Receipts:	
Taxes	\$ 85,170
Expenditures:	
Contractual	<u>97,088</u>
Receipts under expenditures	(11,918)
Unencumbered cash, beginning	<u>(3,742)</u>
Unencumbered cash, ending	<u><u>\$ (15,660)</u></u>

\* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS  
MVE INSPECTION FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

(Continued)

Year Ended December 31, 2020

Receipts:	
MVE inspections	\$ 6,686
Expenditures and encumbrances:	
Public safety	4,075
Capital outlay	3,703
Total expenditures and encumbrances	7,778
Receipts under expenditures and encumbrances	(1,092)
Unencumbered cash, beginning	9,720
Unencumbered cash, ending	\$ 8,628

\* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS  
SAFETY DIVIDENDS FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

Unencumbered cash, beginning	\$ 36,852
Unencumbered cash, ending	\$ 36,852

\* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS  
OTHER CAPITAL PROJECTS FUNDS\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
(Continued)  
Year Ended December 31, 2020

	Capital Reserve Fund	Fisher Building	Skate Park	School & Fitness Trail	Bringing Upgrades	Grant/Donation	Sales Tax Streets	Brick Streets KDOT Grant	Water Improvement	Total
Receipts and transfers:										
Grant proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,249	\$ -	\$ -	\$ -	\$ 1,249
Donations	-	-	-	-	-	9,190	-	-	-	9,190
Miscellaneous	-	-	-	-	-	1,525	-	-	-	1,525
Use of money and property	-	-	-	-	-	-	19,909	-	-	19,909
Transfers in	149,056	-	-	-	-	-	-	-	-	149,056
Total receipts and transfers	149,056	-	-	-	-	11,964	19,909	-	-	180,929
Expenditures:										
General government	-	-	-	-	-	1,525	6,364	-	-	7,889
Contractual	-	-	376	-	-	-	-	-	-	376
Capital outlay	253,687	-	-	1,787	-	11,185	1,619,691	-	11,525	1,897,875
Commodities	-	-	-	-	-	-	-	-	1,702	1,702
Total expenditures	253,687	-	376	1,787	-	12,710	1,626,055	-	13,227	1,907,842
Receipts and transfers (under) expenditures	(104,631)	-	(376)	(1,787)	-	(746)	(1,606,146)	-	(13,227)	(1,726,913)
Unencumbered cash, beginning	(96,221)	202	672	1,881	918	34,108	3,124,241	(204)	90,545	3,156,142
Unencumbered cash, ending	\$ (200,852)	\$ 202	\$ 296	\$ 94	\$ 918	\$ 33,362	\$ 1,518,095	\$ (204)	\$ 77,318	\$ 1,429,229

\* These funds are not required to be budgeted.

CITY OF HIAWATHA, KANSAS  
TRUST FUNDS  
SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
UNENCUMBERED CASH  
REGULATORY BASIS  
Year Ended December 31, 2020

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Permanent funds:							
C.H. Janes Poor Memorial	\$ 4,749	\$ -	\$ -	-	\$ 4,749	\$ -	\$ 4,749
G.A.R. Memorial	1,946	-	-	-	1,946	-	1,946
Morrissee Memorial	2,834	-	-	-	2,834	-	2,834
Daisy Hassenpflug Memorial	1,303	-	-	-	1,303	-	1,303
Private purpose trust funds:							
Lake	1,247	-	1,030	-	2,277	-	2,277
Child safety	1,758	-	-	-	1,758	-	1,758
Kiwanis	56	-	-	-	56	-	56
Bruning Memorial	541	-	-	-	541	-	541
Widman Memorial	1,682	-	4	-	1,686	-	1,686
Envisioning	99	-	-	-	99	-	99
Hockey rink	1,130	-	-	-	1,130	-	1,130
Total trust funds	\$ 17,345	\$ -	\$ 1,034	\$ -	\$ 18,379	\$ -	\$ 18,379

CITY OF HIAWATHA, KANSAS  
 AGENCY FUNDS  
 SUMMARY OF RECEIPTS AND DISBURSEMENTS  
 Year Ended December 31, 2020

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Sales tax	\$ 2,454	\$ 16,738	\$ 15,087	\$ 4,105	\$ -	\$ 4,105
Municipal court bond	5,499	8,520	9,733	4,286	139	4,425
Insurance proceeds	18,929	37	-	18,966	-	18,966
Total agency funds	\$ 26,882	\$ 25,295	\$ 24,820	\$ 27,357	\$ 139	\$ 27,496

CITY OF HIAWATHA, KANSAS  
MORRILL PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS  
Year Ended December 31, 2020

## Receipts:

Grants and state appropriations	\$ 29,575
City appropriation	148,038
Fines and fees	1,344
Gifts and donations	48,932
Interest and interest earnings	29,915
Farm income	22,474
Miscellaneous	12,397
Gain (loss) of value on investments	21,100
	<hr/>
Total receipts	313,775
	<hr/>

## Expenditures:

Salary and payroll taxes	192,986
Books, periodical, videos, and film	32,463
Supplies	19,384
Repairs and maintenance	45,054
Utilities	12,027
Insurance	8,570
Continuing education	213
Professional fees	12,543
Capital improvements	704,327
Miscellaneous and postage	11,555
	<hr/>
Total expenditures	1,039,122
	<hr/>

Receipts under expenditures (725,347)

Unencumbered cash, beginning 

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 1,164,269

Unencumbered cash, ending 

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 \$ 438,922 

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CITY OF HIAWATHA, KANSAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture Community Facilities Loans and Grants	10.766	\$ 1,619,691
Total federal expenditures		\$ 1,619,691

See accompanying notes to schedule of expenditures of  
 federal awards

CITY OF HIAWATHA, KANSAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2020

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Hiawatha, Kansas (the City) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statement. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the regulatory basis of accounting, as described in Note 2 to the City's financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3 - Federal Loan Programs

The City administers water and waste disposal systems for rural communities and community facilities loan programs funded by the U.S. Department of Agriculture. Balances and transactions relating to this program are included in City's basic financial statement. For the year ended December 31, 2020, the City obtained interim financing and used a bank loan to pay for the construction costs. Expenditures from this commercial loan will be repaid from the community facilities direct loan number 17. As of the report date, the loan was not finalized. Therefore, the CFDA 10.766 total listed below only includes the previous outstanding loan balance. All draws made from the bank loan during the year are included in the federal expenditures presented in the Schedule. Per the Uniform Guidance, in years after program funds are expended and construction is completed, and the only ongoing financial activity of the program is the payment of principal and interest on outstanding loan balances, the prior loan balances are not considered federal awards expended.

The USDA's balances of the loans outstanding at December 31, 2020 by program are as follows.

CFDA Number	Program Name	Outstanding Balance
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 4,120,870
10.766	Community Facilities Loans and Grants	\$ 114,125

CITY OF HIAWATHA, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2020

**Section I – Summary of Auditors’ Results**

**Financial Statement**

Type of report issued on whether the financial statement audited was prepared in accordance with GAAP:	Adverse
Type of auditors’ report issued on the basis of accounting used by the City:	Unmodified – Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None noted
Noncompliance material to the financial statement:	None

**Federal Awards**

Type of auditors’ report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None noted
Audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a):	None
Identification of major programs:	
<u>CFDA Number</u> 10.766	<u>Name of Federal Program or Cluster</u> Community Facilities Loans and Grants
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee:	No

CITY OF HIAWATHA, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Commission  
City of Hiawatha, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Hiawatha, Kansas (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated March 23, 2021. Our report contained an adverse opinion because the financial statement was presented using accounting practices prescribed or permitted by the State of Kansas.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BT&Co, P.A.*

March 23, 2021  
Topeka, Kansas



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Mayor and City Commission  
City of Hiawatha, Kansas

### **Report on Compliance for the Major Federal Program**

We have audited the City of Hiawatha, Kansas's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BT&Co, P.A.*

March 23, 2021  
Topeka, Kansas